Q3 2018 Interim Report

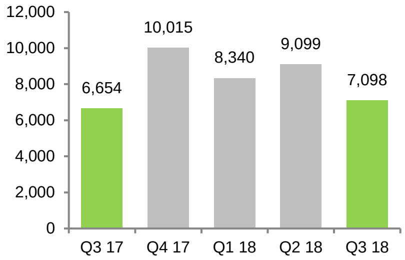
"I am very pleased with Atea's continued strong growth in revenue and operating profit in all geographies outside of Denmark. In Denmark, we look forward to returning to normal operations and turning around the business following the acceptance of our self-cleaning program in September."

Steinar Sønsteby, Atea Group CEO

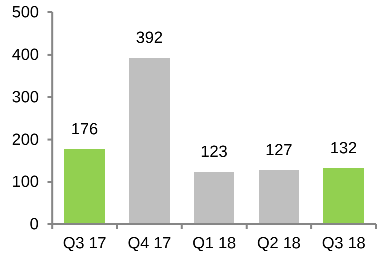
Highlights

- Revenue of NOK 7,098 million, up 6.7% y-o-y
- EBIT of NOK 132 million, down 25.1% y-o-y
- EBIT margin of 1.9%, down from 2.6% last year
- Cash flow from operations of NOK -196 million, down from NOK 189 million last year

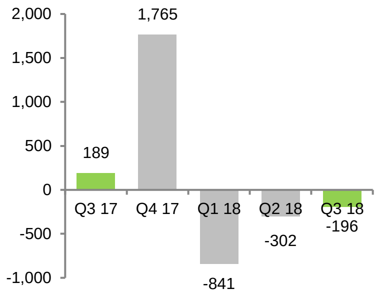
Revenue
NOK in million



EBIT
NOK in million



Cash flow from operations
NOK in million



Key figures*

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Group revenue	7,098	6,654	24,537	22,423	32,438
Gross margin (%)	23.7%	24.2%	22.0%	22.7%	22.3%
EBIT	132	176	382	407	799
EBIT margin (%)	1.9%	2.6%	1.6%	1.8%	2.5%
Net profit	92	124	263	278	543
Earnings per share (NOK)	0.85	1.17	2.44	2.61	5.10
Diluted earnings per share (NOK)	0.84	1.15	2.40	2.57	5.00
Cash flow from operations	(196)	189	(1,340)	(527)	1,238
Free cash flow	(282)	125	(1,595)	(720)	976

	30 Sept 2018	30 Sept 2017	31 Dec 2017
Net financial position	(1,926)	(1,347)	102
Liquidity reserve	941	1,505	3,040
Working capital	287	(321)	(1,692)
Working capital in relation to annualized revenue (%)	0.9%	-1.1%	-5.2%
Equity ratio (%)	23.9%	25.8%	22.6%
Number of full-time employees	7,244	6,861	6,904

* Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 19-21

Financial review Q3 2018

Group

Atea had very strong growth in revenue and operating profit outside of its Danish business in Q3 2018. In Denmark, Atea had significantly lower revenue and operating profit, as a court conviction of the Danish subsidiary in June 2018 continued to negatively impact the business throughout the quarter.

Group revenue increased by 6.7% to NOK 7,098 million in Q3 2018, based on strong growth in sales of products. Currency fluctuations had a negative impact of 2.2% on revenue growth in Q3 2018.

Outside of Denmark, Group revenue increased by 15.7% from last year, with high growth across all geographies. In Denmark, Group revenue fell by 21.9% from last year.

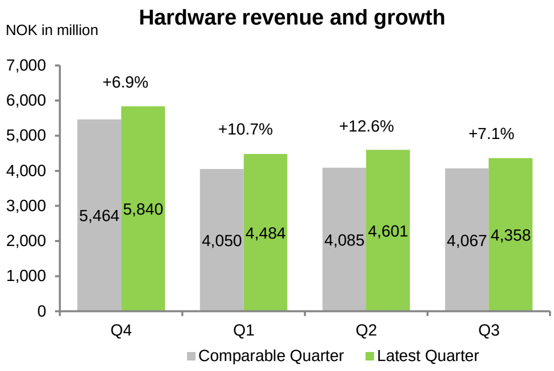
EBIT in Q3 2018 decreased to NOK 132 million from NOK 176 million last year, as higher operating expenses offset revenue growth. Share-based compensation increased by NOK 22 million from last year, due to an increase in options outstanding and an appreciation in the share price during Q3.

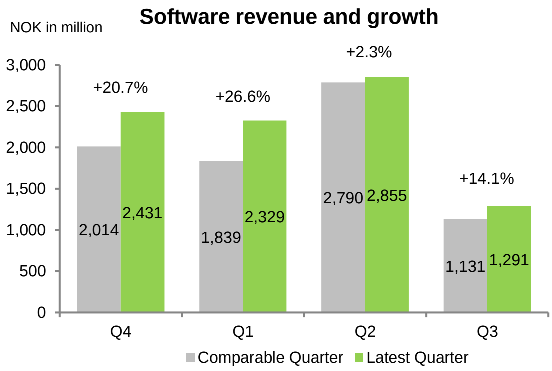
Group EBIT outside of Denmark increased by 19.1% from last year, with all geographies reporting strong profit growth. In Denmark, EBIT was a loss of DKK 39 million (NOK 50 million), a decline of DKK 58 million (NOK 73 million) from last year.

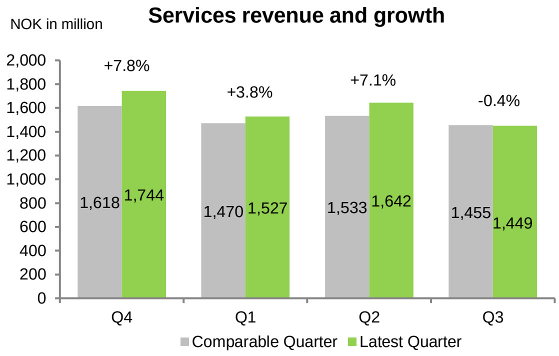
Atea also incurred operating losses in a new business unit called AppXite, a software and services start up venture which was launched in January 2018. The business is described on Page 10 of this report. The AppXite business is expected to operate at a loss during its initial ramp-up. During Q3 2018, AppXite had an EBIT loss of NOK 7.9 million. Excluding both the Danish operation and the start-up loss in AppXite, Atea's EBIT in Q3 was 24.2% higher than last year.

Net financial items were an expense of NOK 12 million, compared with an expense of NOK 17 million last year. Profit before tax declined by 24.6% to NOK 120 million, compared with NOK 159 million last year.

Income tax expense was NOK 28 million in Q3 2018, an effective tax rate of 23.5%. Net profit after tax decreased to NOK 92 million, compared with NOK 124 million last year.





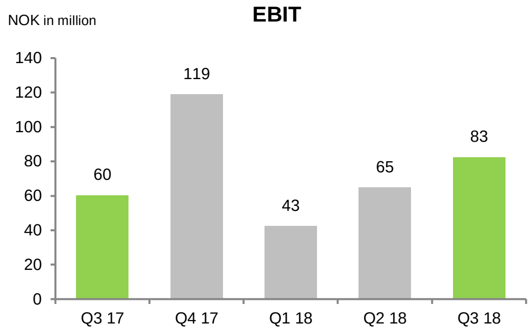


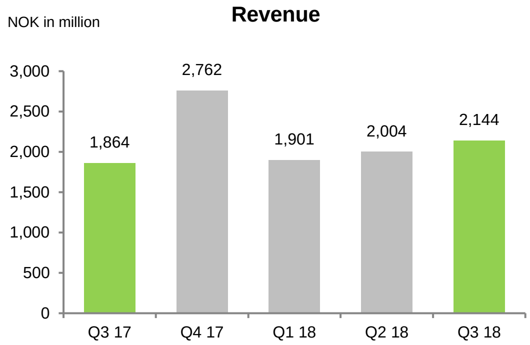
Norway

Atea Norway significantly increased its revenue and profitability in Q3 2018 based on high growth in product sales and relatively lower growth in operating expenses.

Revenue in Q3 2018 was NOK 2,144 million, an increase of 15.0% from last year. Hardware revenue was up 16.0%, software revenue was up 27.0% and services revenue was up 4.7%.

Hardware revenue growth was primarily driven by increased sales to the public sector. Software revenue grew based on higher sales of communication software to the public sector. Growth in services revenue was driven by higher demand for consulting services.





Total gross margin decreased to 23.9% in Q3 2018, compared with 24.4% last year, due to a higher proportion of product sales in the revenue mix. Product margins were the same level as last year. Service margins increased to 66.4%, from 63.4% last year, due to lower COGS on contracted services.

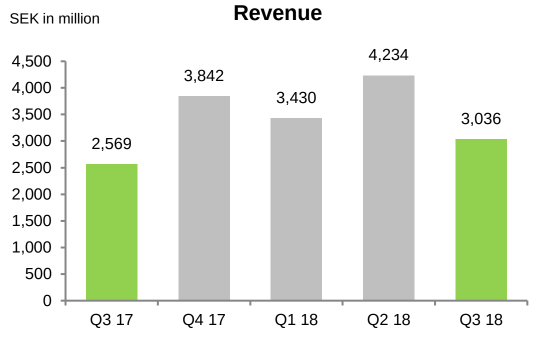
EBIT grew by 36.7% to NOK 83 million, based on increased product volumes and relatively lower growth in operating expenses. Total operating expenses were 9.4% higher than last year, based on higher personnel costs. The EBIT margin increased to 3.8%, up from 3.2% last year.

Sweden

Atea Sweden had rapid growth in revenue and profitability in the third quarter of 2018. Sales growth was strong across all product and service lines, and toward both the public and private sectors.

Revenue in Q3 2018 was SEK 3,036 million, up 18.2% compared with last year. Hardware revenue was up 20.6%, software revenue was up 12.0% and services revenue was up 16.4%.

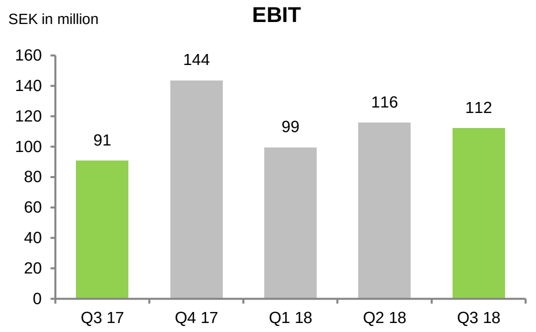
Growth in hardware and software revenue was driven by a high order volume on recently renewed frame agreements to the public sector. In addition, demand from large corporate customers was also strong. Growth in services revenue was driven by higher sales of consulting, as the company hired additional consultants to meet growing demand.



Total gross margin was 22.7% in Q3 2018, compared with 23.0% last year. Product margin fell slightly to 13.0% in Q3 2018 compared with 13.2% last year, due to lower margins on new frame agreements. Services margin improved slightly to 67.3% from 67.1% last year, due to lower COGS on service and support agreements.

Total operating expenses increased by 15.4% to SEK 576 million, based on an increase in the average number of full-time employees by 250 (11.7%) from last year. Atea Sweden has significantly increased its consulting workforce from last year, based on a strong market demand for infrastructure services.

EBIT increased by 23.4% to SEK 112 million, reflecting higher revenue and relatively lower growth in operating expenses. EBIT margin was 3.7%, up from 3.5% last year.



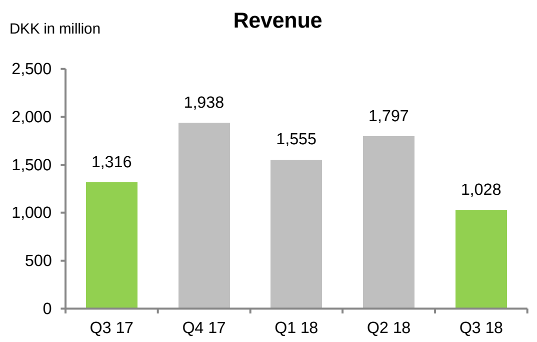
Denmark

Atea Denmark reported a decline in revenue and EBIT in the third quarter of 2018. The Danish business was negatively impacted by a court conviction in June 2018 for misconduct by former Atea employees.

Following the conviction, the largest public procurement authorities in Denmark recommended that public customers stop ordering from Atea Denmark until the authorities confirmed that Atea Denmark had taken sufficient corrective actions ("self-cleaning") in accordance with the EU Public Sector Directive. This recommendation led to a sharp decline in demand from both public and private sector customers.

On September 7, the public contracting authorities confirmed that Atea Denmark had met the self-cleaning requirements, and formally removed their recommendation. However, sales remained slow for the rest of September.

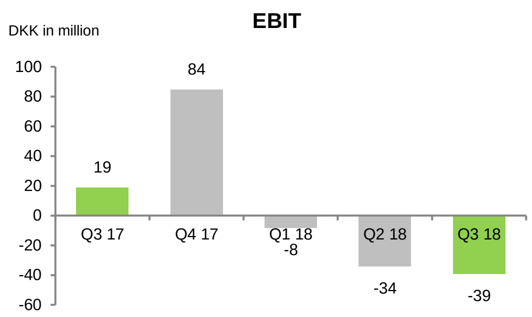
Revenue in Q3 2018 was DKK 1,028 million, down 21.9% compared with last year. Revenue declined across all product and service lines, with hardware revenue down 24.3%, software revenue down 20.0%, and services revenue down 17.9%.



Total gross margin increased to 25.5% in Q3 2018, compared with 24.5% last year, due to a higher product margin and an increased proportion of services in the revenue mix. Product margin improved from 9.8% to 11.3% in Q3 2018, as a higher proportion of revenue came from smaller orders and customers. Services margin decreased to 59.4% from 62.1% last year, due to an increased proportion of subcontractors in the revenue mix.

Total operating expenses decreased by 0.8% in Q3 2018 compared with Q3 2017. Operating expenses in Q3 2018 were impacted by a one-time legal settlement of DKK 3 million resulting from the bribery case. Excluding this legal settlement, operating expenses were 1.8% lower than in Q3 2017.

EBIT in Q3 2018 was an operating loss of DKK -39 million, compared with an operating profit of DKK 19 million last year.

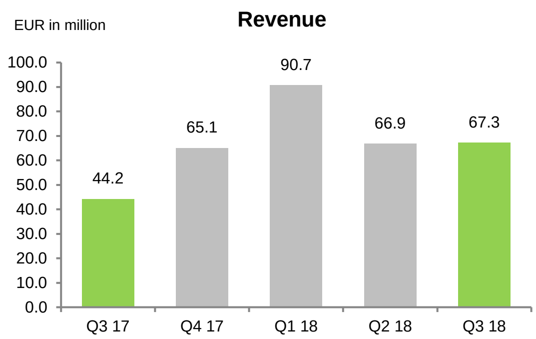


Finland

Atea Finland reported very strong revenue and EBIT growth in the third quarter of 2018 based on higher demand from the public sector.

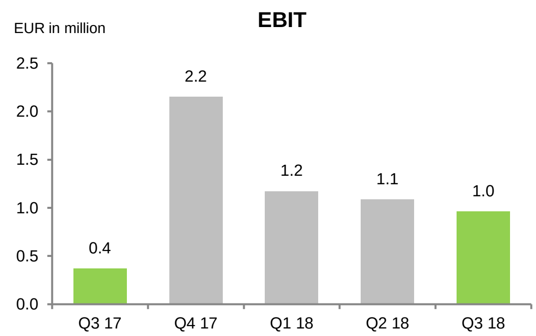
Revenue in Q3 2018 was EUR 67.3 million, up 52.0% compared with last year. Hardware revenue was up 39.5%, software revenue was up 125.7% and services revenue was down 15.0%.

Growth in hardware revenue was driven by increased sales of clients. Software revenue was primarily driven by a few large license contracts to the public sector. The decline in services revenue was based on lower sales of consulting services.



Total gross margin ended at 13.7% in Q3 2018, compared with 19.0% last year. The decrease in gross margin was based on a lower margin on software sales and higher proportion of product sales in the revenue mix.

EBIT in Q3 2018 increased by 160.3% to EUR 1.0 million, based on an improved product volumes and relatively lower growth in operating expenses. Total operating expenses were only 2.2% higher than last year. The EBIT margin was 1.4%, up from 0.8% last year.

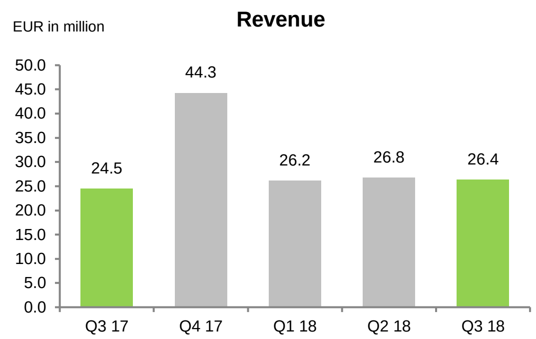


The Baltics

Atea Baltics had strong EBIT growth in the third quarter of 2018, based on higher sales of services and relatively lower growth in operating expenses.

Revenue in Q3 2018 was EUR 26.4 million, up 7.7% compared with last year. Hardware revenue was up 7.0%, software revenue was up 5.9% and services revenue was up 10.1%.

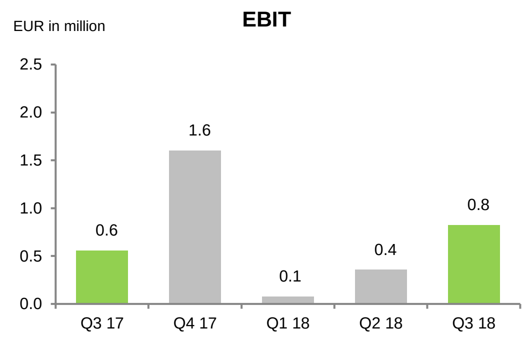
Hardware revenue growth was driven by large projects to the public sector in Lithuania. Software revenue grew based on higher sales of software licenses. Services revenue growth was driven by increased sales of datacenter outsourcing services.



Total gross margin increased to 26.4% in Q3 2018 compared with 26.1% last year, based on improved margins in hardware and contracted services.

The average number of full-time employees decreased by 37 (5.3%) from last year. Total operating expenses were EUR 6.1 million in Q3 2018, an increase of 5.3% from last year, primarily due to high salary inflation, increased variable compensation and a change in the employee mix towards more high-end consultants.

Based on services revenue growth, improved margins and relatively lower growth in operating expenses, EBIT increased by 48.5% in Q3 2018 to EUR 0.8 million. The EBIT margin was 3.1%, up from 2.3% last year.



Balance sheet

As of 30 September 2018, Atea had total assets of NOK 11,767 million. Current assets such as cash, receivables and inventory represented NOK 6,701 million of this total. Non-current assets represented NOK 5,065 million of this total, and primarily consisted of goodwill (NOK 3,703 million), deferred tax assets (NOK 460 million), and property, plant and equipment (NOK 598 million).

Atea had total liabilities of NOK 8,953 million as of 30 September 2018, of which NOK 8,115 million were current liabilities. See Note 6 for more details about interest-bearing liabilities. Total shareholder's equity was NOK 2,814 million, corresponding to an equity ratio of 23.9%.

At the end of Q3 2018, Atea's net financial position was NOK -1,926 million compared with NOK -1,347 million at the end of Q3 2017. Atea's debt covenants require that the Group maintains a maximum net interest bearing debt of 2.5x pro forma EBITDA over the last twelve months. Atea is currently well within this limit, and maintains liquidity reserves, including unutilized credit facilities of NOK 941 million as of 30 September 2018.

Cash flow

Atea had a cash outflow from operating activities of NOK -196 million in the third quarter of 2018, compared with a cash inflow of NOK 189 million in Q3 2017. The operating cash flow in Q3 2018 was affected by lower profitability and a higher working capital balance. Atea's working capital balance is highly seasonal and fluctuates greatly throughout the year.

The net working capital balance at the end of Q3 2018 was NOK 287 million, compared with NOK -321 million last year and increased mainly due to higher receivables and lower days payables outstanding. Collection of accounts receivable was negatively affected by a reduced collection period in Q3 as last two days of the quarter were on a weekend. Days payables outstanding was impacted by a shift in product sales to vendors with shorter payment terms.

Cash flow from investing activities was NOK -139 million in Q3 2018, up from NOK -56 million in the corresponding quarter last year. Nearly all of this difference was due to the acquisition of Sherpa Consulting AS for NOK 62 million in Q3 2018. Atea will begin to consolidate Sherpa Consulting AS in its Group accounts from 4Q 2018. In addition to the acquisition, Atea had higher capital expenditure due to investments in the new logistics center under construction in Växjö.

Cash flow from financing activities was NOK 302 million in Q3 2018 reflecting an increase in short-term debt outstanding.

Shares

Atea had 7,196 shareholders on 30 September 2018 compared with 7,103 shareholders on 30 September 2017.

The 10 largest shareholders as of 30 September 2018 were:

Main Shareholders *	Shares	%
Systemintegration APS **	27,155,647	25.2%
Folketrygdfondet	9,684,129	9.0%
State Street Bank & Trust Co. ***	3,869,078	3.6%
Odin Norden	3,256,029	3.0%
Handelsbanken Norden Selektiv	3,096,971	2.9%
State Street Bank and Trust Co. ***	2,452,613	2.3%
Odin Norge	2,447,198	2.3%
Didner and Gerge Smabolag	2,120,880	2.0%
RBC Investor Services Trust	1,964,648	1.8%
VPF Nordea Kapital	1,824,312	1.7%
Other	49,920,107	46.3%
Total number of shares	**107,791,612**	**100.0%**

* Source: Verdipapirsentralen
** Includes shares held by Ib Kunøe
*** Includes client nominee accounts

As of 30 September 2018, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.3% of the shares, including the shares held by Systemintegration APS.

Business overview

Background

Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic regions. The company is the largest player by far in its local markets, with approximately 18% market share in 2017. Roughly half of Atea's sales are to the public sector, with the remainder of sales to private companies.

The market for IT infrastructure in the Nordic and Baltic regions has grown steadily during the last several years. According to estimates from IDC*, the market for IT infrastructure and related services has grown at an average rate of 3% per year from 2007 – 2017.

Atea's competence and leading market position in IT infrastructure has enabled the company to grow at a rate significantly higher than that of the market. Since 2007, the company has averaged an organic revenue growth rate of 5.4% per year.

In addition to organic growth, Atea has successfully pursued an M&A strategy to strengthen and consolidate its market position. Atea's current organization structure is the result of the merger of the leading IT infrastructure companies in Denmark, Norway, Sweden, Finland and the Baltics in 2006 and 2007. Since 2007, Atea has acquired more than 50 companies, at valuation multiples significantly below the Group.

Atea's market share in the Nordic and Baltic regions far exceeds that of other IT infrastructure providers. Today, the company has offices in 87 cities in the Nordic and Baltic region and more than 7,200 employees. This scale provides Atea with critical competitive advantages in purchasing, local market presence, breadth and depth of product offering, system integration competence, and efficient shared service and logistics functions.

To address the needs of the Nordic and Baltic markets, Atea works closely with leading international IT companies, such as Microsoft, Cisco, HP Inc., Hewlett Packard Enterprise, IBM, Apple, Lenovo, VMware, Citrix, and Dell EMC. These companies view the Nordic region as a critical market for the early adoption of new technologies, and work closely with Atea to penetrate these markets. In recent years, Atea's cooperation with its technology partners has intensified. This enables Atea to stay at the forefront of the latest IT trends, and to offer its customers new and innovative IT solutions.

IT market trends

The market for information technology is in the midst of dramatic change, with profound effects on society known as the "digital transformation".

Across private enterprise and throughout the public sector, organizations are converting vast amounts of information into digital form. As information is made digital, it can be collected, processed, managed, and distributed with methods and at a scale which was previously impossible. This "digitalization" enables public and private organizations to completely redefine how they provide goods and services, and how these goods and services are consumed and shared.

The resulting "digital transformation" is driving innovation in all sectors of the economy and all public services, including health, welfare, education, defense, policing and infrastructure management. Collectively, this can result in major improvements in productivity and living standards.

At the same time, the "digital transformation" places even greater demands on organizations' IT environments, as the amount of data which is being managed grows exponentially across a broadening range of devices. Furthermore, as digital information and processes become central to the definition of goods, services and of work itself, the capabilities and stability of the IT environment become essential for organizations to function. Consequently, the risk of security breaches becomes ever greater. All of this creates a level of complexity which IT departments struggle to support.

This presents a significant opportunity for Atea, as the leading provider of IT infrastructure and system integration in the Nordic and Baltic regions. Through its breadth of competency and depth of expertise, Atea supports its customers in managing the continuous growth and increased complexity of their IT environments. Atea helps its customers to design, implement and operate the IT infrastructure upon which they are dependent as their operations become increasingly digital.

* International IT research company, International Data Corporation

Business overview (cont'd)

Business outlook

Based on its competitive advantages and leading market position in the Nordic and Baltic regions, Atea is well-positioned to maintain a long-term growth rate faster than the IT infrastructure market in general.

At the same time, Atea expects to steadily increase its operating profit through a combination of revenue growth, expansion in higher margin products and services, internal efficiencies, and tight control of operating expenses.

Atea has performed consistently with these long-term financial expectations during the first three quarters of 2018 in all countries except Denmark. In Denmark, Atea has faced a very different market situation due to a highly publicized court case involving misconduct by former employees from 2008 - 2014. As a result, pofitability in Denmark has fallen sharply during the first three quarters of 2018. This has led to lower EBIT for the Group as a whole during 2018 to date.

During the fourth quarter, Atea expects that revenue will continue to decline in Denmark compared with last year, but at a slower rate than in Q3. Atea Denmark's EBIT is also expected to decline sharply, but the Danish company is not expected to operate with a loss in Q4. In other geographies, the company expects continued strong financial performance in Q4, although revenue and EBIT growth are expected to slow from the abnormally high growth rate in Q3.

The fourth quarter is seasonally Atea's strongest quarter, based on increased sales to the public sector. Public sector customers often preserve much of their IT budgets until the end of the year, when the budgets are spent. As a result of this "budget flush", revenue from the public sector in Q4 is larger but more stable than in other quarters, as revenue development is more heavily influenced by growth in total public sector IT budgets than on specific project rollouts.

Due to lower profitability in Denmark, EBIT for the Atea Group is expected to decline significantly in Q4 2018 compared with last year. Historically, much of the Group's profit in the fourth quarter has been driven by Denmark, which generates a very high proportion of its EBIT in the fourth quarter. For this reason, a decline in profitability in Denmark has a disproportional impact on EBIT for the Atea Group in the fourth quarter.

From 2019, the financial results in Denmark are expected to improve from the poor performance in 2018. Atea has unique competitive advantages in the Nordic IT infrastructure market based on its scale, competence, and relations with technology partners. Based on these competitive advantages, Atea is expected to reestablish its position with large customers in the Danish market.

In other geographies, Atea expects healthy market conditions to continue into 2019, as customers increase their investments in IT solutions and select suppliers with the competence to support their increasingly complex IT environments.

With a favorable market environment and a strong competitive position, Atea expects continued revenue growth with improved operating margins during 2019.

<u>Investment in AppXite:</u>
As part of its growth strategy, Atea works with its key technology partners to develop innovative IT infrastructure solutions for customers. During 2018, Atea will commercialize a solution which Atea has developed in close collaboration with its technology partners.

The solution is a cloud platform for enabling software vendors and service providers to transform their business from transactional sales to subscription and consumption-based service delivery. The solution is called AppXite (appxite.com) and has commercial potential outside of the Nordic region. If successful, the AppXite solution has the potential to develop into a significant new business area.

Atea has established a fully-owned subsidiary in Latvia called AppXite SIA which will continue to develop and commercialize the cloud commerce platform and related services. The subsidiary is expected to be loss-making during 2018. At present, losses are expected to be approximately EUR 2.5 million during 2018. Losses for three quarters of 2018 were EUR 1.8 million. Further financial information on AppXite can be found in Note 2 of the financial statements.

Condensed financial information for the 9 months ended 30 September 2018

Consolidated income statement

NOK in million	Note	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Revenue	**2,3,8**	7,098	6,654	24,537	22,423	32,438
Gross profit		1,682	1,611	5,408	5,090	7,218
Personnel costs		(1,193)	(1,111)	(3,933)	(3,680)	(5,030)
Other operating costs		(239)	(228)	(758)	(693)	(975)
Share based compensation		(26)	(4)	(58)	(29)	(37)
EBITDA		**223**	**269**	**659**	**687**	**1,175**
Depreciation and amortization		(84)	(85)	(255)	(257)	(345)
Amortization related to acquisitions		(8)	(8)	(23)	(24)	(32)
Operating profit (EBIT)	**2**	**132**	**176**	**382**	**407**	**799**
Net financial items	**5**	(12)	(17)	(41)	(56)	(75)
Profit before tax		**120**	**159**	**340**	**351**	**724**
Tax	**7**	(28)	(34)	(78)	(73)	(181)
Profit for the period		**92**	**124**	**263**	**278**	**543**
Earnings per share						
- earnings per share		0.85	1.17	2.44	2.61	5.10
- diluted earnings per share		0.84	1.15	2.40	2.57	5.00

Consolidated statement of comprehensive income

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Profit for the period	**92**	**124**	**263**	**278**	**543**
Currency translation differences	(3)	(53)	(177)	95	213
Forward contracts - cash flow hedging	5	(4)	8	(0)	11
Income tax OCI relating to items that may be reclassified to profit or loss	(1)	1	(2)	(1)	(4)
Items that may be reclassified subsequently to profit or loss	**1**	**(56)**	**(171)**	**93**	**220**
Other comprehensive income	1	(56)	(171)	93	220
Total comprehensive income for the period	**93**	**68**	**91**	**371**	**763**

Consolidated statement of financial position

NOK in million	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS				
Property, plant and equipment		598	632	628
Deferred tax assets	**7**	460	547	487
Goodwill		3,703	3,742	3,845
Other intangible assets		224	273	273
Investment in associated companies		13	11	12
Other long-term receivables		67	8	6
Non-current assets		**5,065**	**5,213**	**5,252**
Inventories		771	694	591
Trade receivables		4,610	4,303	6,886
Other receivables		1,297	1,108	1,061
Other financial assets		(0)	0	1
Cash and cash equivalents		24	52	1,125
Current assets		**6,701**	**6,156**	**9,663**
Total assets		**11,767**	**11,370**	**14,915**
EQUITY AND LIABILITIES				
Share capital and premium	**4**	368	305	355
Other unrecognised reserves		2,087	2,132	2,259
Retained earnings		358	491	760
Equity		**2,814**	**2,928**	**3,373**
Interest-bearing long-term liabilities	**6**	576	136	120
Other long-term liabilities		8	14	13
Deferred tax liabilities		254	257	275
Non-current liabilities		**838**	**407**	**408**
Trade payables		3,771	3,776	6,755
Interest-bearing current liabilities	**6**	1,374	1,263	903
VAT, taxes and government fees		674	696	1,010
Provisions		178	184	258
Dividend payable		350	346	-
Other current liabilities		1,767	1,760	2,199
Other financial liabilities		1	10	8
Current liabilities		**8,115**	**8,035**	**11,133**
Total liabilities		**8,953**	**8,442**	**11,541**
Total equity and liabilities		**11,767**	**11,370**	**14,915**

Consolidated statement of changes in equity

NOK in million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Equity at start of period - 1 January	**3,373**	**3,200**	**3,200**
Currency translation differences	(177)	93	211
Forward contracts - cash flow hedging	6	(0)	8
Other comprehensive income	(171)	93	220
Profit for the period	263	278	543
Total recognised income for the year	**91**	**371**	**763**
Employee share-option schemes	36	13	16
Dividends	(700)	(692)	(692)
Issue of share capital	13	35	86
Equity at end of period	**2,814**	**2,928**	**3,373**

Consolidated statement of cash flow

	Q3	Q3	YTD	YTD	Full year
NOK in million	2018	2017	2018	2017	2017
Profit before tax	120	159	340	351	724
Taxes paid	(7)	(8)	(80)	(87)	(128)
Depreciation and amortisation	91	94	278	282	376
Share based compensation	10	4	36	12	16
Other corrections	-	-	-	(1)	(2)
Cash earnings	**213**	**248**	**574**	**557**	**987**
Change in trade receivables	1,148	1,004	1,990	1,805	(553)
Change in inventories	24	(13)	(220)	(69)	51
Change in trade payables	(1,427)	(948)	(2,699)	(2,381)	575
Other changes in working capital	(155)	(101)	(985)	(440)	178
Cash flow from operating activities	**(196)**	**189**	**(1,340)**	**(527)**	**1,238**
Capital expenditure	(78)	(56)	(226)	(168)	(228)
Purchase/sale of subsidiaries	(62)	-	(62)	-	(1)
Cash flow from investing activities	**(139)**	**(56)**	**(287)**	**(168)**	**(229)**
Dividend paid	-	-	(350)	(345)	(692)
Other equity transactions	(1)	6	14	35	86
Change in debt	303	(93)	960	140	(262)
Cash flow from financing activities	**302**	**(87)**	**624**	**(170)**	**(868)**
Net cash flow	**(34)**	**47**	**(1,003)**	**(864)**	**142**
Cash and cash equivalents at the start of the period	59	16	1,125	880	880
Foreign exchange effect on cash held in a foreign currency	(1)	(11)	(97)	36	103
Cash and cash equivalents at the end of the period	**24**	**52**	**24**	**52**	**1,125**

NOTES

NOTE 1 – General information and accounting policies

The condensed interim financial statements for the nine months ending 30 September 2018 were approved for publication by the Board of Directors on 17 October 2018. These Group financial statements have not been subject to audit or review.

Atea ASA is a public limited company incorporated and domiciled in Norway whose shares are listed on the Oslo Stock Exchange. Atea (the Group) consists of Atea ASA (the Company) and its subsidiaries. Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic region.

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 "Interim Financial Reporting". The condensed interim financial statements do not include all information and disclosures required in the annual financial statement, and should be read in accordance with the Group's Annual Report for 2017, which has been prepared according to IFRS as adopted by EU. Assessment of effects of the new and revised International Financial Reporting Standards (IFRS) from 1 January 2018 are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2017. The changes in these accounting policies, IFRS 15, 'Revenue from Contracts with Customers' and IFRS 9, 'Financial instruments' do not have any material impact on the Group accounts.

IFRS 15, 'Revenue from Contracts with Customers': Information about the main revenue streams and the timing of the revenue recognition are described in Note 2- Summary of significant accounting principles – in the Annual report for 2017. The operating segment information in Note 2 is disaggregated to the main categories of revenue in Note 3 "Disaggregation of revenue:"

In the interim financial statements for 2018, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2018 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2017.

The Board confirms that these interim financial statements have been prepared on a going concern basis. As a result of rounding differences numbers or percentages may not add up to the total.

The carrying amounts of Financial assets and Financial liabilities recognized in the Consolidated statement of financial position approximate their fair values, according to Management's assessment.

NOTE 2 – Operating segment information

Atea is located in 87 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with more than 7,200 employees. For management and reporting purposes, the Group is organized by these geographical areas. The performance of these geographical areas is evaluated on a regular basis by Atea's Executive Team, consisting of among others the Managing Directors of each geographical segment.

In addition to the geographical areas, the Group operates Shared Services functions (Atea Logistics, Atea Global Services and Atea Group IT) and central administration. These costs are reported separately as Group Shared Service and Group cost.

In addition to the geographical areas above, Atea is reporting on a new segment starting from 2018. AppXite provides a cloud platform for enabling software vendors and service providers to transform their business from transactional sales to subscription and consumption-based service delivery. AppXite is a global independent software distribution portal. For more information, see appxite.com.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

NOTE 2 – Operating segment information (cont'd)

Operating segment information – NOK

Revenue NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	2,143.7	1,863.6	6,049.4	5,508.4	8,270.9
Sweden	2,780.3	2,521.8	10,026.6	8,620.5	12,379.2
Denmark	1,318.9	1,659.7	5,636.6	5,928.2	8,418.6
Finland	644.1	417.2	2,155.9	1,810.4	2,436.9
The Baltics	252.6	228.8	760.9	660.7	1,080.9
Group Shared Services	1,401.0	1,223.3	3,966.4	3,341.4	4,758.1
AppXite	3.9	-	12.3	-	-
Eliminations *	(1,446.2)	(1,260.5)	(4,071.0)	(3,447.1)	(4,907.4)
Atea Group	**7,098.4**	**6,653.9**	**24,537.1**	**22,422.6**	**32,438.1**

EBIT NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	82.5	60.3	189.9	146.8	265.7
Sweden	103.4	88.9	307.0	253.4	393.6
Denmark	(50.2)	23.1	(104.8)	14.5	120.7
Finland	9.2	3.5	30.9	22.6	42.9
The Baltics	7.9	5.1	12.0	7.9	22.9
Group Shared Services	11.2	9.7	29.5	12.5	22.1
AppXite	(7.9)	-	(17.3)	-	-
Group cost	(24.2)	(14.6)	(65.8)	(51.1)	(69.4)
Operating profit (EBIT)	**131.9**	**176.1**	**381.5**	**406.7**	**798.6**
Net financial items	(12.2)	(17.3)	(41.1)	(55.7)	(74.8)
Profit before tax	**119.8**	**158.8**	**340.4**	**351.0**	**723.7**

Quarterly revenue and gross margin NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Product revenue	5,648.9	5,198.4	19,917.9	17,962.7	26,233.8
Services revenue	1,449.4	1,455.2	4,618.7	4,459.1	6,203.0
Other income	0.1	0.3	0.5	0.8	1.3
Total revenue	**7,098.4**	**6,653.9**	**24,537.1**	**22,422.6**	**32,438.1**
Gross contribution	1,681.9	1,610.9	5,408.3	5,089.7	7,217.6
Product margin	12.8%	12.6%	11.7%	11.8%	11.8%
Services margin	66.2%	65.8%	66.5%	66.8%	66.4%
Gross margin	**23.7%**	**24.2%**	**22.0%**	**22.7%**	**22.3%**

Quarterly revenue and gross margin NOK in million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Product revenue	5,648.9	7,456.0	6,812.9	8,271.1	5,198.4	6,875.0	5,889.3
Services revenue	1,449.4	1,642.4	1,527.0	1,743.9	1,455.2	1,533.5	1,470.4
Other income	0.1	0.2	0.2	0.5	0.3	0.2	0.2
Total revenue	**7,098.4**	**9,098.6**	**8,340.1**	**10,015.5**	**6,653.9**	**8,408.7**	**7,360.0**
Gross contribution	1,681.9	1,888.4	1,838.0	2,127.9	1,610.9	1,784.8	1,694.0
Product margin	12.8%	10.9%	11.8%	11.9%	12.6%	10.9%	12.1%
Services margin	66.2%	65.6%	67.8%	65.6%	65.8%	67.7%	66.8%
Gross margin	**23.7%**	**20.8%**	**22.0%**	**21.2%**	**24.2%**	**21.2%**	**23.0%**

* Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services and Atea Group IT

NOTE 2 – Operating segment information (cont'd)

Operating segment information – local currency

Revenue Local currency in million		Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	NOK	2,143.7	1,863.6	6,049.4	5,508.4	8,270.9
Sweden	SEK	3,035.6	2,568.8	10,699.7	8,946.2	12,788.4
Denmark	DKK	1,027.7	1,315.5	4,379.6	4,774.6	6,712.3
Finland	EUR	67.3	44.2	224.8	196.1	261.2
The Baltics	EUR	26.4	24.5	79.4	71.6	115.9
Group Shared Services	NOK	1,401.0	1,223.3	3,966.4	3,341.4	4,758.1
AppXite	EUR	0.4	-	1.3	-	-
Eliminations *	NOK	(1,446.2)	(1,260.5)	(4,071.0)	(3,447.1)	(4,907.4)
Atea Group	**NOK**	**7,098.4**	**6,653.9**	**24,537.1**	**22,422.6**	**32,438.1**

EBIT Local currency in million		Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	NOK	82.5	60.3	189.9	146.8	265.7
Sweden	SEK	112.2	90.9	327.6	263.0	406.7
Denmark	DKK	(39.0)	18.6	(81.5)	11.7	96.2
Finland	EUR	1.0	0.4	3.2	2.4	4.6
The Baltics	EUR	0.8	0.6	1.3	0.9	2.5
Group Shared Services	NOK	11.2	9.7	29.5	12.5	22.1
AppXite	EUR	(0.8)	-	(1.8)	-	-
Group cost	NOK	(24.2)	(14.6)	(65.8)	(51.1)	(69.4)
Operating profit (EBIT)	**NOK**	**131.9**	**176.1**	**381.5**	**406.7**	**798.6**
Net financial items	NOK	(12.2)	(17.3)	(41.1)	(55.7)	(74.8)
Profit before tax	**NOK**	**119.8**	**158.8**	**340.4**	**351.0**	**723.7**

NOTE 3 – Disaggregation of revenue

Information about the main revenue streams and the timing of the revenue recognition are described in Note 2- Summary of significant accounting principles – in the Annual report for 2017.

The Group has disclosed geographical information about revenues from external customers. In addition, the Group has disclosed revenue based on two main categories: products (hardware and software) and services.

In the table below, the revenue from the operating segment information in Note 2 is disaggregated to the main categories of revenue.

Hardware Local currency in million		Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	NOK	1,331.7	1,147.9	3,575.6	3,180.8	4,926.7
Sweden	SEK	1,941.4	1,610.4	5,799.4	4,748.6	6,806.4
Denmark	DKK	572.8	756.4	2,214.4	2,504.5	3,610.0
Finland	EUR	37.1	26.6	113.2	100.5	138.2
The Baltics	EUR	15.6	14.6	48.3	41.5	70.9
Group Shared Services	NOK	1,311.0	1,161.9	3,689.8	3,168.9	4,517.9
AppXite	EUR	-	-	-	-	-
Eliminations *	NOK	(1,312.7)	(1,156.4)	(3,655.9)	(3,143.9)	(4,469.3)
Atea Group	**NOK**	**4,357.6**	**4,067.0**	**13,443.0**	**12,202.4**	**18,042.5**

Software Local currency in million		Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	NOK	356.7	280.9	1,084.2	999.9	1,516.5
Sweden	SEK	552.5	493.2	3,169.5	2,688.1	3,881.7
Denmark	DKK	150.9	188.6	1,168.4	1,151.0	1,555.0
Finland	EUR	24.3	10.8	91.9	75.1	95.1
The Baltics	EUR	2.5	2.3	7.4	8.3	14.4
Group Shared Services	NOK	0.7	2.9	2.0	6.0	8.4
AppXite	EUR	-	-	-	-	-
Eliminations *	NOK	(11.3)	(10.0)	(37.3)	(35.1)	(64.1)
Atea Group	**NOK**	**1,291.3**	**1,131.4**	**6,474.9**	**5,760.4**	**8,191.3**

* Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services and Atea Group IT

NOTE 3 – Disaggregation of revenue (cont'd)

Services Local currency in million		Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Norway	NOK	455.3	434.9	1,389.6	1,327.8	1,827.6
Sweden	SEK	541.7	465.2	1,730.8	1,509.5	2,100.3
Denmark	DKK	304.1	370.6	996.8	1,119.1	1,547.3
Finland	EUR	5.8	6.9	19.8	20.4	27.9
The Baltics	EUR	8.3	7.5	23.6	21.7	30.4
Group Shared Services	NOK	89.3	58.5	274.6	166.6	231.5
AppXite	EUR	0.4	-	1.3	-	-
Eliminations *	NOK	(122.3)	(94.1)	(377.8)	(268.2)	(373.9)
Atea Group	**NOK**	**1,449.4**	**1,455.2**	**4,618.7**	**4,459.1**	**6,203.0**

NOTE 4 – Share capital and premium

	Number of shares		Share capital			
NOK in million, except number of shares	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total
At 1 January 2018	**107,581,945**	**(7,844)**	**108**	**(0)**	**247**	**355**
Issue of Share capital**	209,667	-	0	-	13	13
At 30 September 2018	**107,791,612**	**(7,844)**	**108**	**(0)**	**260**	**368**

NOTE 5 – Net financial items

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Interest income	2	1	5	5	5
Other financial income	1	1	2	1	2
Total financial income	**3**	**2**	**7**	**6**	**6**
Interest costs on loans	(10)	(9)	(28)	(26)	(34)
Interest costs on financial leases	(2)	(1)	(5)	(7)	(10)
Foreign exchange effects	(2)	(7)	(9)	(24)	(30)
Other financial expenses	(1)	(1)	(5)	(5)	(7)
Total financial expenses	**(15)**	**(19)**	**(48)**	**(62)**	**(81)**
Total net financial items	**(12)**	**(17)**	**(41)**	**(56)**	**(75)**

NOTE 6 – Interest-bearing liabilities

Interest-bearing long-term liabilities as of 30 September 2018 included an unsecured 5 years loan of NOK 475 million from European Investment Bank issued in May 2018. The rate of interest on the loan is NIBOR 6M + 0.99%.

Interest-bearing current liabilities as of 30 September 2018 included a bank loan of DKK 500 million, which matures in December 2018 following a six months extension of the original term. Atea is presently going through a refinancing process, and will refinance this obligation with new long-term credit facilities.

* Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services and Atea Group IT
** Issue of share capital is related to share options for the Management and selected employees

NOTE 7 – Taxes

NOK in million	Q3 2018	Effective rate	Q3 2017	Effective rate	Full year 2017	Effective rate
Profit before tax	120		159		724	
Tax payable expenses	(17)	13.8%	(27)	16.8%	(101)	13.9%
Deferred tax asset changes due to tax loss carry forward used	(8)	6.6%	(5)	2.9%	(93)	12.9%
Other deferred tax changes	(4)	3.1%	(3)	1.9%	13	-1.8%
Total tax expenses	**(28)**	**23.5%**	**(34)**	**21.6%**	**(181)**	**25.0%**

Income tax expense is recognized based on management's estimate of its weighted average tax rate. The estimated tax payable rate during the Q3 of 2018 is 13.8 %.

Deferred tax changes include tax loss carryforwards used, currency effects on equity loan and other deferred tax items which are recognized on the balance sheet during the period.

At the year end of 2017, the tax value of the tax loss carried forward within the Group was NOK 443 million and the full amount was recognized as Deferred Tax Assets on the balance sheet.

NOTE 8 – Seasonality of operations

Atea's revenue and cash flow are affected by the seasonality of demand for IT infrastructure investments. Demand for IT infrastructure among Atea's customers peaks in the fourth quarter of the year, leading to higher revenue and cash flow for Atea in the fourth quarter. This demand seasonality is based on the procurement cycles of large organizations in the Nordic and Baltic regions, and is particularly strong within the public sector.

NOTE 9 – Commitments

With reference to Note 25 – Commitments – in the Annual report for 2017, Atea ASA has issued guarantees in favor of financial institutions as security for the lending facilities provided to Atea ASA and subsidiaries. Part of these commitments concern sublease facilities. At the end of Q3 2018, the Group had sublease commitments of NOK 287 million to financial institutions, which are not reported on-balance sheet.

Under a new leasing standard, IFRS 16, the sublease commitments referred to above would be reflected as both an asset and liability on the balance sheet. IFRS 16 was issued in January 2016 and effective for annual reports beginning on or after 1 January 2019.

NOTE 10 – Events after the balance sheet date

There were no significant events after the balance sheet date which could affect the evaluation of the reported accounts.

Alternative Performance Measures

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Atea's performance. As defined in ESMAs guidelines on alternative performance measures (APM), an APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the International Financial Reporting Standards as adopted by EU.

Atea uses the following APMs:

EBITDA
EBITDA is defined as Operating profit (EBIT) before depreciation and amortization.

Pro forma revenue and EBITDA
Pro forma revenue and EBITDA includes revenue and EBITDA from companies acquired during 2018 and 2017 in both the current and prior full year. Pro forma financial results are used to calculate organic growth as well as bond covenant requirements (see below).

Pro forma revenue in constant currency excludes the effect of foreign currency rate fluctuations. Growth in constant currency is translating revenue recognized during the current period using exchange rates for the previous period.

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Revenue	7,098	6,654	24,537	22,423	32,438
Adjustment for acquisitions	-	0	-	-	-
Pro forma revenue	**7,098**	**6,654**	**24,537**	**22,423**	**32,438**
Pro forma revenue on last year currency	7,262	6,594	24,514	22,880	32,570
Pro forma growth in constant currency	**9.1%**	**3.0%**	**9.3%**	**3.5%**	**4.4%**

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
EBITDA	223	269	659	687	1,175
Adjustment for acquisitions	0	(0)	0	0	(0)
Pro forma EBITDA	**223**	**269**	**659**	**687**	**1,175**

Operating expenses
Operating expenses include personnel costs, other operating expenses, share based compensation, depreciation and amortization costs.

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Personnel costs	1,193	1,111	3,933	3,680	5,030
Other operationg costs	239	228	758	693	975
Share based compensation	26	4	58	29	37
Depreciation and amortization	84	85	255	257	345
Amortization related to acquisitions	8	8	23	24	32
Total operating expenses	**1,550**	**1,435**	**5,027**	**4,683**	**6,419**

Alternative Performance Measures (cont'd)

Free cash flow

Free cash flow is defined as cash flow from operations, less capital expenditures. Capital expenditures include assets acquired through cash purchases and through financial leasing agreements.

Atea's policy is to distribute over 70 percent of free cash flow over time to shareholders in the form of a dividend. Any dividends proposed by the Board of directors to the annual general meeting shall be justified based on the company's dividend policy and its capital requirements.

NOK in million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Cash flow from operations	(196)	189	(1,340)	(527)	1,238
Capital expenditures through cash	(78)	(56)	(226)	(168)	(228)
Capital expenditures through financial leasing	(8)	(8)	(30)	(25)	(34)
Free cash flow	**(282)**	**125**	**(1,595)**	**(720)**	**976**

Net financial position

Net financial position consists of both current and non-current interest-bearing liabilities less cash and cash equivalents.

Net financial position is one of the key metrics used in Atea to assess both the cash position and its indebtedness.

NOK in million	30 Sept 2018	30 Sept 2017	31 Dec 2017
Interest-bearing long-term liabilities	(576)	(136)	(120)
Interest-bearing current liabilities	(1,374)	(1,263)	(903)
Cash and cash equivalents	24	52	1,125
Net financial position	**(1,926)**	**(1,347)**	**102**

Net working capital

Net working capital is defined as non-interest-bearing current assets net of cash and cash equivalents less non-interest-bearing current liabilities and indicates how much funding is needed for business operations.

Due to seasonality of operation (see Note 8) Atea's net working capital fluctuates highly with a peak in the fourth quarter. Atea has sufficient debt facilities to finance its working capital fluctuations.

Net working capital in relation to annualized revenue indicates effectiveness in working capital management. Annualized revenue is estimated based on year to date results.

NOK in million	30 Sept 2018	30 Sept 2017	31 Dec 2017
Inventories	771	694	591
Trade receivables	4,610	4,303	6,886
Other receivables	1,297	1,108	1,061
Other financial assets	(0)	0	1
Trade payables	(3,771)	(3,776)	(6,755)
VAT, taxes and government fees	(674)	(696)	(1,010)
Provisions	(178)	(184)	(258)
Other current liabilities	(1,767)	(1,760)	(2,199)
Other financial liabilities	(1)	(10)	(8)
Working capital	**287**	**(321)**	**(1,692)**
Year to date revenue	24,537	22,423	32,438
Annualized revenue	32,716	29,897	32,438
Working capital in relation to annualized revenue	**0.9%**	**-1.1%**	**-5.2%**

Alternative Performance Measures (cont'd)

Liquidity reserve

Liquidity reserve is calculated as cash and cash equivalents including unutilized credit facilities from financial institutions.

The liquidity reserve is limited by the Group's leverage covenant in the debt agreement and bank facility agreements, which states a maximum leverage ratio of 2.5x EBITDA (net debt/last twelve months pro forma EBITDA). Twelve months pro forma EBITDA below presents data at the respective reporting date.

NOK in million	30 Sept 2018	30 Sept 2017	31 Dec 2017
Last 12 months pro forma EBITDA	1,147	1,141	1,175
Debt covenant ratio	2.5	2.5	2.5
Liquidity reserve	**941**	**1,505**	**3,040**

Equity ratio

Equity ratio is defined as equity proportion of total asset and shows financial leverage. In accordance with Atea's risk management guidelines equity ratio should be above 20%.

NOK in million	30 Sept 2018	30 Sept 2017	31 Dec 2017
Equity	2,814	2,928	3,373
Total assets	11,767	11,370	14,915
Equity ratio	**23.9%**	**25.8%**	**22.6%**

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